

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1808 – SB 2232

March 12, 2018

SUMMARY OF ORIGINAL BILL: Transfers all insurance premium tax cases from the claims commission to the Chancery Court of Davidson County. Authorizes the Commissioner (the Commissioner) of the Department of Commerce and Insurance (DCI) to assess the actual and reasonable costs of the investigation, prosecution, and hearing of any disciplinary action held in accordance with a contested case. Authorizes the Commissioner to promulgate rules establishing a schedule of costs.

Eliminates the requirement that the Commissioner must hold a hearing prior to amending rules or regulations relating to the business of life, accident, health, credit life, and credit accident and health insurance, and removes requirement that the Commissioner furnish copies to insurers of any new rules or regulations promulgated.

Authorizes the Commissioner to adopt, by rule, requirements regarding credits for reinsurance for a domestic ceding insurer and an assuming insurer.

Establishes that certain information submitted by an insurer, who is applying for certification as a reinsurer, is confidential.

Adopts the model Corporate Governance Annual Disclosure Act (CGAD). The CGAD requires insurers to annually file a report with the DCI outlining their corporate structures and internal controls. Authorizes the Commissioner to promulgate rules to implement the CGAD.

Modifies the definition of “managing general agent” with regards to the Managing General Agents Act (MGA), and establishes that a managing general agent adjusts or pays claims in excess of \$10,000.

Authorizes the Commissioner to waive the five-year ineligibility period following an insurance company’s decisions to withdraw from the individual health insurance market.

Authorizes the Commissioner to act as a group-wide supervisor for any internationally active insurance group, instance in which another group-wide supervisor may be elected, and establishes reporting and information sharing requirements for such multi-state and multi-national insurance entities. Establishes that information and reporting requirements relative to internationally active insurance groups and information received from other domiciles confidential.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$50,000

Decrease State Expenditures - \$900

The Governor's proposed budget for FY18-19, on page A-37, recognizes a recurring increase in state revenue to the General Fund of \$50,000.

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (014076): Deletes and rewrites all language after the enacting clause such that the only substantive change specifies that the bill as amended will take effect upon becoming law; however the CGAD shall take effect January 1, 2019.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note

Assumptions for the bill as amended:

- For purposes of rulemaking, this legislation shall take effect upon becoming law; however Section 8 of the bill as amended, or the CGAD, shall take effect January 1, 2019. The first required filing of the CGAD will be in 2019.
- According to the DCI, this legislation allows the Insurance and Securities Divisions to impose court costs or recover witness fees, investigatory costs, or administrative judge expenses when a Division prevails in a contested case. The DCI reviewed such costs for calendar year 2016 and the average cost was approximately \$1,000 per proceeding. The Department approximates 50 such proceedings a year that this legislation would allow the Division to impose or recover costs upon favorable conclusions, resulting in a recurring increase in state revenue of \$50,000.
- The Governor's recommended budget for FY18-19, on page A-37, recognizes a recurring increase in state revenue to the General Fund in the amount of \$50,000 for insurance fee modernization.
- This legislation removes certain notification requirements from DCI.
- According to the DCI, the Department reviewed the costs of mailing such required notifications.
- Based on information provided by the DCI, the average mailing costs are approximately \$900.
- A recurring decrease in state expenditures of \$900.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note

Assumption for the bill as amended:

- This legislation is estimated to have no significant impact upon commerce or jobs in this state.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb